

## Message Text

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ACTION STR-07

INFO OCT-01 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10  
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00  
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02  
OMB-01 DOE-15 XMB-02 OPIC-03 JUSE-00 OIC-02 AF-10  
ARA-10 EA-10 EUR-12 NEA-11 /174 W  
-----046366 261847Z /43

P 261738Z JUN 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC PRIORITY 1347

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 09705

USMTN  
ACTION STR PASS ELECTRICALLY  
STR PASS CODEL

E.O.11652:N/A  
TAGS: MTN, ETRD, EEC  
SUBJECT: US-EC INDUSTRIAL TARIFFS BILATERAL

REFS: (A) GENEVA 9368, (B) STATE 159899

1. REFTTEL B (A) ERRONEOUSLY STATES THAT USMTN DEL MODIFIED  
USG TARIFF REQUEST TO EC; (B) APPEARS TO SUGGEST THAT  
TIMELY ADVICE BY ISAC REPRESENTATIVES VISITING GENEVA  
SHOULD BE IGNORED UNLESS APPROVED BY ISAC AS A WHOLE AND BY  
TPSC; (C) ERRONEOUSLY IMPLIES THAT USMTN DEL PERSUADED AN  
UNWILLING ISAC MEMBER TO AGREE TO A PARTICULAR INITIATIVE;  
(D) CONFUSES BROAD CATEGORY OF SEMICONDUCTORS WITH NARROWER  
CATEGORY OF ELECTRONIC MICROCIRCUITS.

2. CONCERNING 1(A) ABOVE, EC HAS CIRCULATED TO ALL MTN  
PARTICIPANTS A LIST OF "POSSIBLE WITHDRAWALS" WHICH  
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INCLUDES CCT 85.21 D II. THIS TARIFF ITEM, INTER ALIA,  
HAS BEEN THE SUBJECT OF SEVERAL US-EC BILATERALS IN THE  
PAST THREE MONTHS. IN EACH BILATERAL, EC SPOKESMEN HAVE  
STATED THAT EC INTENDS TO MAINTAIN ITS TARIFF ON THIS ITEM  
AT EXISTING 17 PERCENT RATE TO PROTECT AN EXPANDING  
INDUSTRY. (FRANCE MAINTAINS QR'S ON THIS ITEM UNDER COVER  
OF GATT ARTICLE XX; BRITISH GOVERNMENT IS POURING LARGE

SUM OF MONEY INTO DEVELOPMENT OF ITS SEMICONDUCTOR INDUSTRY; THERE ARE NASCENT INDUSTRIES ALSO IN GERMANY AND THE NETHERLANDS SUPPORTED BY THEIR GOVERNMENTS.) SINCE JANUARY, WHEN OFFERS WERE TABLED, USMTN DEL HAS PROBED DEEPLY INTO OTHER COUNTRIES' EXCEPTIONS/SO-CALLED POSSIBLE WITHDRAWALS/EXCLUSIONS AFFECTING U.S. EXPORTS (PARTICULARLY BUT NOT LIMITED TO THOSE WHICH ARE SUBJECT OF IMPROVEMENT OR MAINTENANCE REQUESTS BY THE U.S.) TO DETERMINE WHETHER ANY GIVE BY EACH OF THEM IS POSSIBLE. USMTN DEL HAS DONE THIS FOR HUNDREDS OF PRODUCTS, WITH MOST OF OUR NEGOTIATING PARTNERS, IN THOUSANDS OF HOURS OF NEGOTIATING SESSIONS AND HAS ACCURATELY REPORTED SUCH PROBING EFFORTS. THIS IS A MAJOR FUNCTION OF THE TARIFF NEGOTIATING PROCESS, AS THOSE WHO HAVE EXPERIENCED IT RECOGNIZE IN BOTH WASHINGTON AND GENEVA. USMTN DEL DID NOT "MODIFY" OR CHANGE IN ANY WAY THE U.S. REQUEST THAT THE EC IMPROVE ITS OFFER ON 85.21 D II AS A WHOLE, AND THE EC UNDERSTANDS THAT THE U.S. DESIRES AN EC RATE OF 4.2 PERCENT ON THE ENTIRE ITEM. IN THIS PROBING EXERCISE, AS REPORTED IN REFTEL A, USMTN DEL ASKED EC TO CONSIDER A POSSIBLE EX-OUT IN THE ITEM WHILE MAINTAINING REQUEST ON ENTIRE ITEM.

3. CONCERNING POINT 1(B) ABOVE, WITH ONLY TWO WEEKS OF NEGOTIATIONS REMAINING BEFORE DEADLINE OF JULY 15, AND THE SCOPE OF PRODUCTS IN TARIFF NEGOTIATIONS (LITERALLY LIMITED OFFICIAL USE

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TENS OF THOUSANDS OF DIFFERENT PRODUCTS) DEMAND SOME INITIATIVES BY USMTN DEL WITHIN ESTABLISHED GUIDELINES AND INSTRUCTIONS. TOTAL ABSENCE OF INSTRUCTIONS FOR SEVERAL MONTHS FROM WASHINGTON FOR US-EC TARIFF NEGOTIATIONS SUGGESTS THAT WASHINGTON RECOGNIZES AND APPROVES SUCH INITIATIVES.

4. WITH REGARD TO POINT 1(C) ABOVE, IN FACE OF CONTINUING EC INTENTION TO EXCEPT ENTIRE ITEM, USMTN DEL ASKED ISAC 22 MEMBER FOR ADVICE WHETHER ANY PORTION OF ITEM MIGHT BE OF INTEREST TO U.S. EXPORTERS IF AN EX-OUT STOOD A BETTER CHANCE OF BEING AGREED TO BY EC. PROPOSAL REPORTED IN REFTEL A WAS ISAC MEMBER'S PROPOSAL, WHICH RECOGNIZED CLEAR EC DETERMINATION TO PROTECT HIGHER TECHNOLOGY SEGMENT OF TARIFF ITEM. YOU WILL RECALL THAT USMTN DEL MADE AN OPPOSITE PROPOSAL TO JAPAN (SEE GENEVA 8395); NAMELY, A DEEPER CUT IN JAPANESE TARIFF IN AREA WHERE JAPAN IS FULLY COMPETITIVE, IC'S WITH 4,000 OR MORE ACTIVE ELEMENTS.

5. CONCERNING POINT 1(D) ABOVE, WE DID NOT LIMIT COVERAGE OF PROPOSED EX-OUT TO MONOLITHIC INTEGRATED CIRCUITS,

I.E., WHAT DRAFTER OF REFTTEL HAS REFERRED TO AS "DISCRETE SEMICONDUCTORS." ON THE CONTRARY, WE PROPOSED AN EX-OUT WHICH WOULD COVER ALL DEVICES FALLING INTO THE CATEGORY OF ELECTRONIC MICROCIRCUITS, THAT IS, MICROASSEMBLIES AS WELL AS MONOLITHIC AND HYBRID INTEGRATED CIRCUITS. ADDITIONALLY, WE TOLD DUGIMONT THAT THE MAXIMUM NUMBER OF ACTIVE ELEMENTS UNDER THE EX-OUT SHOULD BE INCREASED OVER TIME TO KEEP THE CONCESSION CONSISTENT WITH STATE-OF-THE-ART TECHNOLOGY IN THE SEMICONDUCTOR INDUSTRY. PRINTED CIRCUIT BOARDS WOULD NOT BE COVERED BY THE PROPOSED EX-OUT SINCE THESE ARE CURRENTLY CLASSIFIED IN CCCN 85.19 WHERE NO WITHDRAWAL IS THREATENED.

6. ACTION REQUESTED: EC DEL (DUGIMONT) HAS REQUESTED LIMITED OFFICIAL USE

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INFO OCT-01 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01  
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P 261738Z JUN 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC PRIORITY 1348

LIMITED OFFICIAL USE SECTION 02 OF 02 GENEVA 09705

USMTN  
ACTION STR PASS ELECTRICALLY  
STR PASS CODEL

THAT THE U.S. EXPLAIN IN DETAIL ITS PROPOSAL AT THE NEXT BILATERAL TARIFF SESSION SCHEDULED FOR THURSDAY, JUNE 29.

AN ELECTRONICS EXPERT FROM DG III OF THE EC COMMISSION  
WILL BE PRESENT AT THAT SESSION AND, IN DUGIMONT'S OWN  
WORDS, WILL BE THE ONLY ONE PRESENT FROM THE EC SIDE WHO  
WILL HAVE THE SLIGHTEST NOTION OF WHAT THE U.S. IS  
REQUESTING ON SEMICONDUCTORS. ACCORDINGLY, IF WASHINGTON  
WISHES TO CHANGE OR ABANDON U.S. PROPOSED EX-OUT, WE  
SHOULD BE SO INFORMED BEFORE COB JUNE 28.

7. DRAFTED BY MCNAMARA AND MARSH. MCDONALD

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TARIFFS, MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 26 jun 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978GENEVA09705  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780265-0145  
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**From:** GENEVA USMTN  
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**Litigation History:**  
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**Message ID:** b4231782-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION STR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** 78 GENEVA 9368, 78 STATE 159899  
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**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2213600  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** US-EC INDUSTRIAL TARIFFS BILATERAL  
**TAGS:** ETRD, US, MTN, EEC  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/b4231782-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
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20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014